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Analysis of IT Services Provider Revenues

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Introduction

A
Objectives and Scope

The objective of this project is to determine the 1996 worldwide revenues for information services for a group of 13 IT service providers. The revenues should include all information services revenues analyzed by INPUT but exclude revenues for software products. Revenues for customer services should be included but should only include equipment and environmental services.

The IT vendors whose revenues are to be analyzed include Andersen Consulting, EDS, CSC, Cap Gemini, NTT DATA, KPMG, Price Waterhouse, HP, BT/MCI, Decision One, GE, debis AG and IBM.

Descriptions of the vertical markets of interest to IBM were specified in a document sent to INPUT which listed groupings of SIC categories. The vertical market groupings extracted from that document for use in this project are described in the following table shown in Exhibit I-1.

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Exhibit I-1

INDUSTRY GROUPINGS	IBM INDUSTRY CODES
Banking/Finance/Securities	F
Computer Related/Consulting	B/C
Manufacturing-Discrete/Fabrication	M
Education-Higher & Basic	E/R
Federal or Central Government	Y
Health/Hospital	H
Insurance	N
Process/Petroleum	P
Distribution-Retail & Wholesale	D
State/Local/Provincial	G
Telecommunications/Media	A
Transportation	T
Utility/Energy Services	U
Other/Miscellaneous	

Source: INPUT

B
Methodology

INPUT used interviews with the vendors of interest and industry contacts to gather information on global revenues for information services as well as existing INPUT research materials and published market intelligence reports such as VAP (Vendor Analysis Report).

INPUT used past experience in separating software as well as hardware revenues from the service revenues of interest to IBM. INPUT also used past experience, particularly in projects conducted for IBM in dividing revenues of vendors into the industry grouping specified by IBM. Some of these refinements required separating data reported in aggregates for multiple industries or reported for one group of SIC's such as manufacturing but including data relevant to other codes such as distribution. In all these cases, INPUT conducted a best efforts analysis as performed on over 6 similar IBM projects .

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II

Executive Summary

A
Analyses of Vendor Revenues

The exhibits in chapter III provide the information sought by IBM. All exhibits required estimation to be conducted since no vendor provided data in the detail required by the project.

B
Findings/Observations

Some IT vendors have differences in their classification of industry groups. They use different sets of SIC's to represent industry groups than competitors use. INPUT has adjusted the data gathered to reflect the groupings of interest to IBM as much as was possible.

The revenue figures indicate that some markets such as manufacturing are of interest to a number of vendors.

- Manufacturing is among the three highest sources of revenues of 12 of the 13 vendors.
- Banking and finance is among the three highest vertical markets of 11 vendors.
- Telecommunications/Media is among the three highest vertical markets of four vendors, and process/petroleum is among the three highest markets of seven vendors.

Some of the vertical market groupings are of low interest to most vendors. Education and utilities are among the lowest revenue sources of a number of vendors. Some vertical markets are among the smallest because they are relatively small markets, but others may be among those because they are served by specialized vendors devoted to this market as SCT is to education.

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The research carried out in this project did not uncover whether any of these vertical markets are being inadequately served in regard to new technology or solution alternatives. There are new solutions and technologies being introduced in manufacturing, process and banking/finance markets, and that may be one reason that revenues are high in these markets.

C
Recommendations

In order to analyze the reasons why specific vertical markets generate high revenues for some vendors or whether some markets are under served or offer opportunities, INPUT would recommend that study be undertaken investigating selected vendors and users in those markets.

Further research should also be undertaken to analyze whether companies in some vertical markets are not provided the most current technological solutions to their problems.

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Analyses of IT Vendor Revenues

The analyses that INPUT has carried out for IBM are presented on the following pages. Vendor revenue shown on these pages exclude software and hardware revenues as well as some categories of customer services that are not equipment or environmental revenues and a small amount of consulting that is not IT related.

The adjustments for Andersen Consulting, for example, include over $400 million for software revenues and allowances for hardware and non-IT consulting revenues.

Revenues for other vendors including Cap Gemini and debis AG also reflect adjustments for software and hardware as well in the case of the latter.

The 1996 revenues for EDS reflect some adjustments, but do not exclude captive revenues that GM and GM subsidiaries or partners contributed.

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Exhibit III-1

Vendor Analyzed: Andersen Consulting

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	750
Computer Related/Consulting	B/C	110
Distribution	D	480
Education-Higher & Basic	E/R	50
Banking/Finance/Securities	F	750
State/Local Government	G	140
Health/Hospital	H	240
Manufacturing-Discrete/Fabrication	M	600
Insurance	N	350
Process/Petroleum	P	400
Transportation	T	270
Utility/Energy Service	U	380
Federal/Central Government	Y	70
Other/Miscellaneous		10
Total		$4,600

Source: INPUT

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Exhibit III-2

Vendor Analyzed: BT/MCI

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	240
Computer Related/Consulting	B/C	30
Distribution	D	70
Education-Higher & Basic	E/R	20
Banking/Finance/Securities	F	260
State/Local Government	G	400
Health/Hospital	H	10
Manufacturing-Discrete/Fabrication	M	70
Insurance	N	70
Process/Petroleum	P	60
Transportation	T	170
Utility/Energy Service	U	40
Federal/Central Government	Y	200
Other/Miscellaneous		15
Total		$1,655

Source: INPUT

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Exhibit III-3

Vendor Analyzed: CGS

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	520
Computer Related/Consulting	B/C	50
Distribution	D	460
Education-Higher & Basic	E/R	20
Banking/Finance/Securities	F	900
State/Local Government	G	300
Health/Hospital	H	40
Manufacturing-Discrete/Fabrication	M	780
Insurance	N	100
Process/Petroleum	P	380
Transportation	T	20
Utility/Energy Service	U	80
Federal/Central Government	Y	410
Other/Miscellaneous		40
Total		$4,100

Source: INPUT

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Exhibit III-4

Vendor Analyzed: CSC

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	320
Computer Related/Consulting	B/C	60
Distribution	D	380
Education-Higher & Basic	E/R	
Banking/Finance/Securities	F	490
State/Local Government	G	
Health/Hospital	H	360
Manufacturing-Discrete/Fabrication	M	800
Insurance	N	300
Process/Petroleum	P	250
Transportation	T	50
Utility/Energy Service	U	
Federal/Central Government	Y	2380
Other/Miscellaneous		10
Total		$5,400

Source: INPUT

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Exhibit III-5

Vendor Analyzed: debis AG

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	100
Computer Related/Consulting	B/C	30
Distribution	D	70
Education-Higher & Basic	E/R	
Banking/Finance/Securities	F	45
State/Local Government	G	
Health/Hospital	H	
Manufacturing-Discrete/Fabrication	M	390
Insurance	N	10
Process/Petroleum	P	130
Transportation	T	25
Utility/Energy Service	U	25
Federal/Central Government	Y	45
Other/Miscellaneous		10
Total		$880

Source: INPUT

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Exhibit III-6

Vendor Analyzed: Decision One

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	35
Computer Related/Consulting	B/C	85
Distribution	D	40
Education-Higher & Basic	E/R	
Banking/Finance/Securities	F	30
State/Local Government	G	30
Health/Hospital	H	10
Manufacturing-Discrete/Fabrication	M	170
Insurance	N	15
Process/Petroleum	P	60
Transportation	T	20
Utility/Energy Service	U	
Federal/Central Government	Y	20
Other/Miscellaneous		5
Total		$520

Source: INPUT

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Exhibit III-7

Vendor Analyzed: EDS

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	850
Computer Related/Consulting	B/C	30
Distribution	D	420
Education-Higher & Basic	E/R	
Banking/Finance/Securities	F	1500
State/Local Government	G	930
Health/Hospital	H	650
Manufacturing-Discrete/Fabrication	M	5750
Insurance	N	430
Process/Petroleum	P	1500
Transportation	T	550
Utility/Energy Service	U	350
Federal/Central Government	Y	680
Other/Miscellaneous		50
Total		$13,720

Source: INPUT

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Exhibit III-8

Vendor Analyzed: GE

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	120
Computer Related/Consulting	B/C	10
Distribution	D	90
Education-Higher & Basic	E/R	
Banking/Finance/Securities	F	470
State/Local Government	G	
Health/Hospital	H	
Manufacturing-Discrete/Fabrication	M	250
Insurance	N	20
Process/Petroleum	P	130
Transportation	T	70
Utility/Energy Service	U	
Federal/Central Government	Y	
Other/Miscellaneous		20
Total		$1,180

Source: INPUT

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Exhibit III-9

Vendor Analyzed: HP

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	380
Computer Related/Consulting	B/C	40
Distribution	D	330
Education-Higher & Basic	E/R	140
Banking/Finance/Securities	F	700
State/Local Government	G	250
Health/Hospital	H	170
Manufacturing-Discrete/Fabrication	M	800
Insurance	N	180
Process/Petroleum	P	650
Transportation	T	160
Utility/Energy Service	U	100
Federal/Central Government	Y	300
Other/Miscellaneous		20
Total		$4,220

Source: INPUT

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Exhibit III-10

Vendor Analyzed: IBM (Access to data not provided)

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	1010
Computer Related/Consulting	B/C	980
Distribution	D	2610
Education-Higher & Basic	E/R	420
Banking/Finance/Securities	F	4800
State/Local Government	G	1600
Health/Hospital	H	1150
Manufacturing-Discrete/Fabrication	M	3370
Insurance	N	2100
Process/Petroleum	P	1650
Transportation	T	810
Utility/Energy Service	U	360
Federal/Central Government	Y	1870
Other/Miscellaneous		25
Total		$22,755

Source: INPUT

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Exhibit III-11

Vendor Analyzed: KPMG

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	70
Computer Related/Consulting	B/C	30
Distribution	D	40
Education-Higher & Basic	E/R	40
Banking/Finance/Securities	F	150
State/Local Government	G	70
Health/Hospital	H	80
Manufacturing-Discrete/Fabrication	M	200
Insurance	N	50
Process/Petroleum	P	100
Transportation	T	50
Utility/Energy Service	U	
Federal/Central Government	Y	60
Other/Miscellaneous		10
Total		$950

Source: INPUT

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Exhibit III-12

Vendor Analyzed: NTT DATA

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	470
Computer Related/Consulting	B/C	140
Distribution	D	400
Education-Higher & Basic	E/R	10
Banking/Finance/Securities	F	710
State/Local Government	G	940
Health/Hospital	H	330
Manufacturing-Discrete/Fabrication	M	710
Insurance	N	190
Process/Petroleum	P	20
Transportation	T	180
Utility/Energy Service	U	20
Federal/Central Government	Y	560
Other/Miscellaneous		20
Total		$4,700

Source: INPUT

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Exhibit III-13

Vendor Analyzed: Price Waterhouse

Vertical Markets	IBM Code	Vendor Revenues
Telecom/Media	A	120
Computer Related/Consulting	B/C	20
Distribution	D	20
Education-Higher & Basic	E/R	
Banking/Finance/Securities	F	260
State/Local Government	G	60
Health/Hospital	H	10
Manufacturing-Discrete/Fabrication	M	180
Insurance	N	30
Process/Petroleum	P	190
Transportation	T	20
Utility/Energy Service	U	140
Federal/Central Government	Y	40
Other/Miscellaneous		10
Total		$1,100

Source: INPUT

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